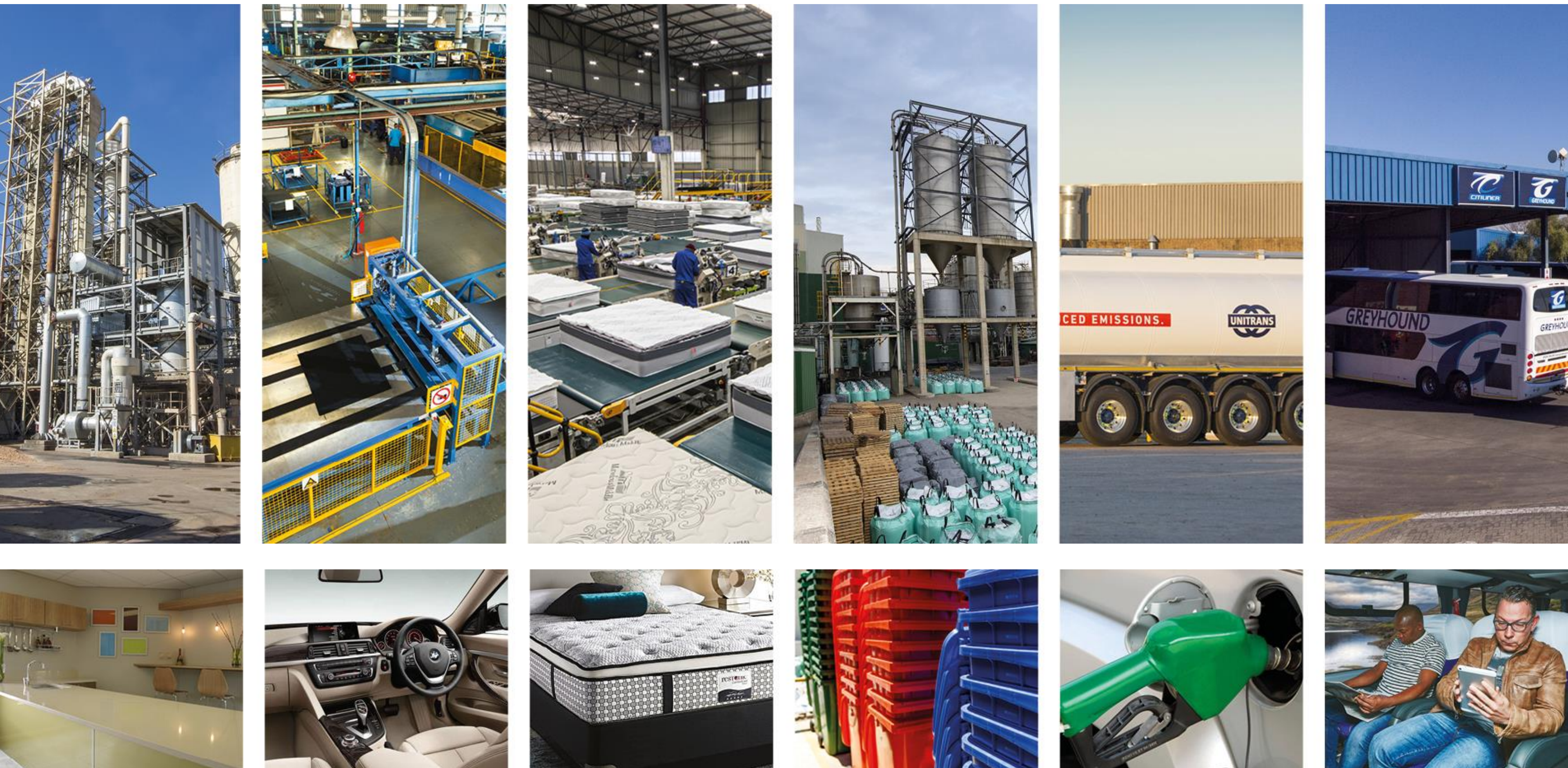
KAP INDUSTRIAL HOLDINGS LIMITED

AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2019



INTRODUCTION

JAAP DU TOIT

CHAIRMAN

INTEGRATED INTO EVERY DAY

AGENDA

INTRODUCTION	JAAP DU TOIT
STRATEGY IMPLEMENTATION	GARY CHAPLIN
DIVISIONAL OPERATIONAL REVIEW	GARY CHAPLIN
FINANCIAL ANALYSIS	FRANS OLIVIER
OUTLOOK	GARY CHAPLIN
Q&A	GARY CHAPLIN / FRANS OLIVIER

STRATEGY IMPLEMENTATION

GARY CHAPLIN

CHIEF EXECUTIVE OFFICER

INTEGRATED INTO EVERY DAY

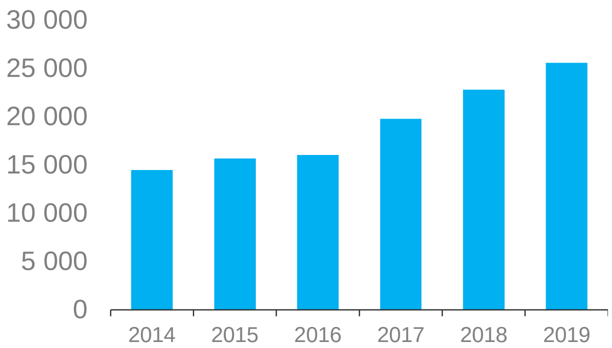
STRATEGY IMPLEMENTATION

STRATEGY IMPLEMENTATION

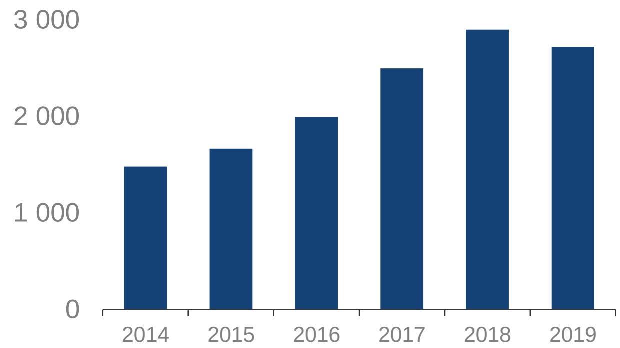
KAP

FIVE-YEAR COMPOUND ANNUAL GROWTH AS A RESULT OF ORGANIC EXPANSION AND ACQUISITION OF COMPLEMENTARY BUSINESSES

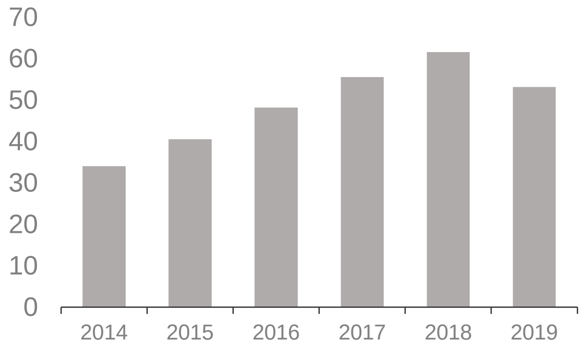
REVENUE (Rm) – CAGR* 12%



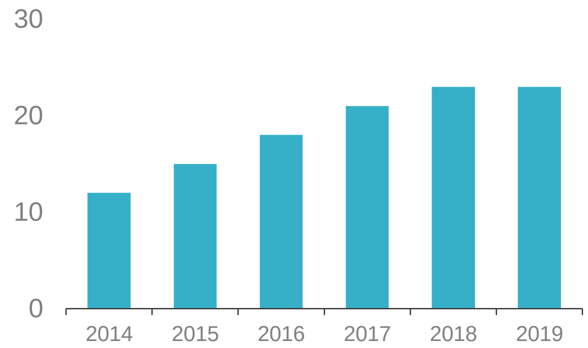
OPERATING PROFIT (Rm) – CAGR* 13%



HEPS (cents) – CAGR* 9%



DPS (cents) – CAGR* 14%



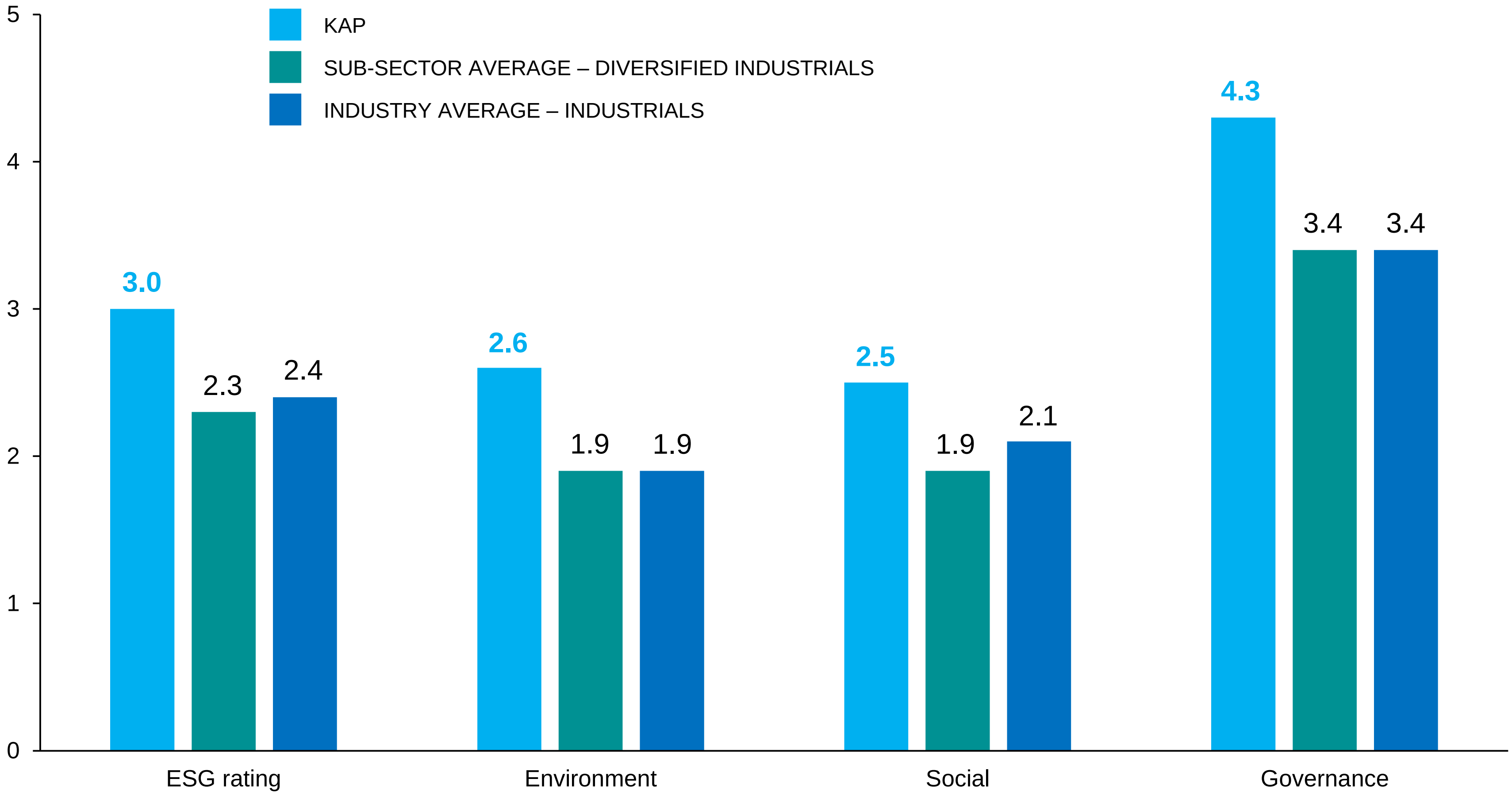
* Compound annual growth rate of continuing operations, excluding the non-recurring, non-cash impact of the Unitrans B-BBEE transaction.

STRATEGY IMPLEMENTATION: F2019 FOCUS

- Multiple projects embarked on and acquisitions concluded in recent years
- R7.8 billion invested in 24 months to 30 June 2018
- Good execution record, with the exception of Safripol (Durban) expansion
- Focus for F2019 was on:
  - Final implementation of various expansion projects
  - Final integration of various acquisitions
  - Extraction of value from capital invested
  - Strong cash generation to reduce gearing
  - Market share growth
  - ESG
- Responsible approach in the context of a challenging economic environment
- F2019 focus extended to include the rationalisation of non-performing operations

STRATEGY IMPLEMENTATION: F2019 FOCUS

FTSE4GOOD ESG RATING

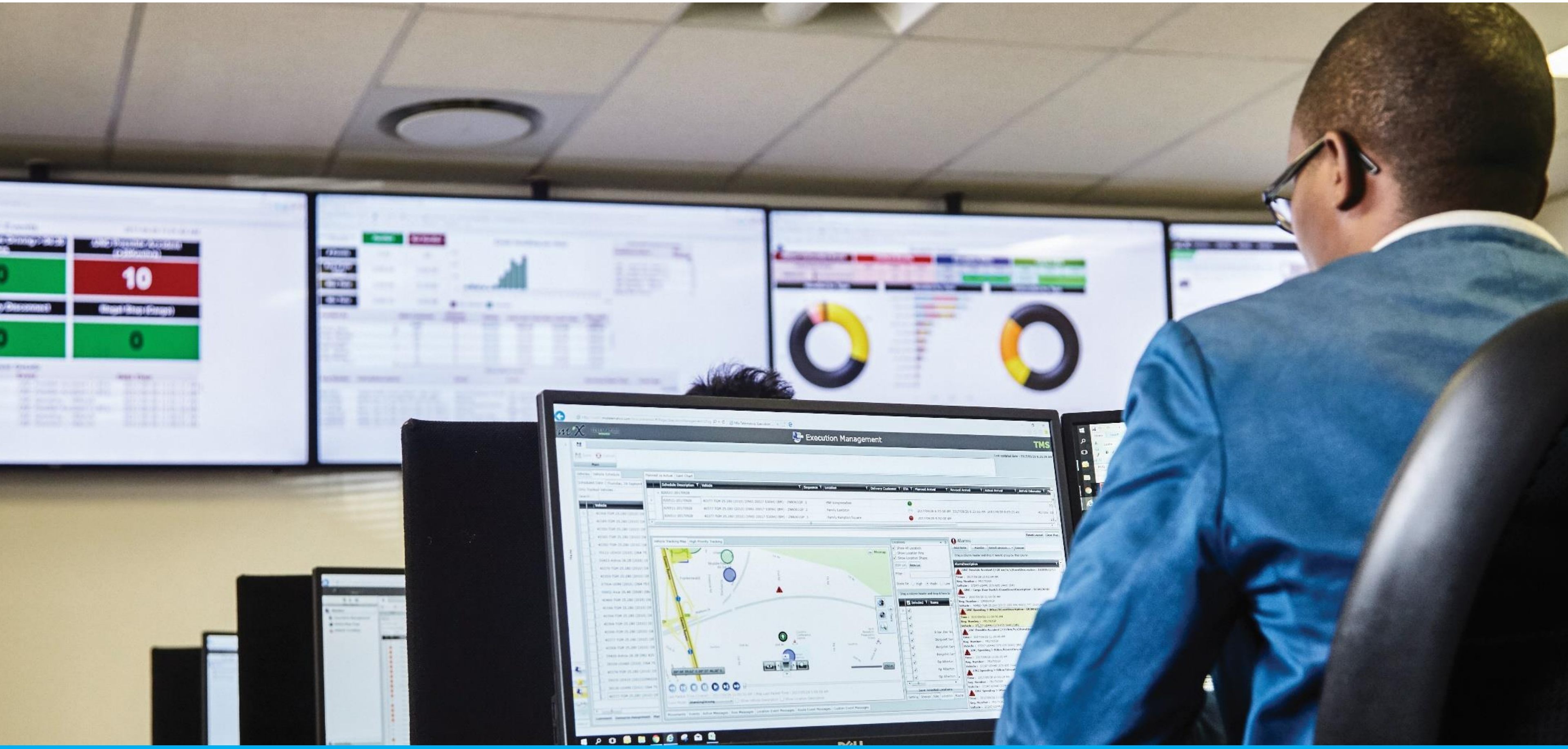


KAP

DIVISIONAL OPERATIONAL REVIEW

GARY CHAPLIN

CHIEF EXECUTIVE OFFICER



INTEGRATED INTO EVERY DAY

DIVISIONAL OPERATIONAL REVIEW

GROUP SEGMENTAL ANALYSIS

REVENUE*

DIVERSIFIED INDUSTRIAL	30%
DIVERSIFIED CHEMICAL	34%
DIVERSIFIED LOGISTICS	36%

OPERATING PROFIT*

DIVERSIFIED INDUSTRIAL	48%
DIVERSIFIED CHEMICAL	28%
DIVERSIFIED LOGISTICS	24%

TOTAL ASSETS

DIVERSIFIED INDUSTRIAL	37%
DIVERSIFIED CHEMICAL	34%
DIVERSIFIED LOGISTICS	29%

* From continuing operations, excluding the non-recurring, non-cash impact of the Unitrans B-BBEE transaction.

INTEGRATED TIMBER

- Panel products business performed well
- Recent technology upgrades and expansions operated ahead of expectation, thereby facilitating production and sales volume growth
- Maintenance shuts delayed to coincide with F2020 plant upgrades
- Export sales supported increased production volumes
- Value-add ratio increased to 58% (FY18: 55%), thereby improving R/m^3 profit
- Resin operations performed well with increased volume and improved sales mix
- R68 million operating profit impact of recent fires on plantation, sawmill and pole operations
- Recovery operations in relation to June 2017 plantation fires completed; recovery operations in relation to November 2018 fires due for completion by December 2019

REVENUE

12% ↑

OPERATING PROFIT

FLAT

AUTOMOTIVE COMPONENTS

- Industry new vehicle assembly volumes increased by 11%
- Strong volume growth supported revenue growth
- VW Polo and BMW X3 replacement model introductions running well
- New technology investments commissioned and operated well in the second half
- Maxe operations performance stable in spite of subdued automotive retail activity
- Discontinuation of Autovest operations initiated for conclusion in F2020
- Autovest accounted for as a discontinued operation with associated costs

REVENUE

19% ↑

OPERATING PROFIT

7% ↑

INTEGRATED BEDDING

RESTONIC vita vitafoam DESLEE MATTEX

- Furniture retail focus on specialised bedding category supported volume growth
- Continued focus on independent market also supported growth in branded product
- Volume growth continued to drive integrated business model with intra-division sales of foam and textiles growing 23%, thereby supporting margin
- Raw material price volatility impacted negatively on margin
- Operational plans implemented to support increased retail promotional activity and continued market share growth
- Johannesburg plant scheduled for completion for December 2019 peak trading period

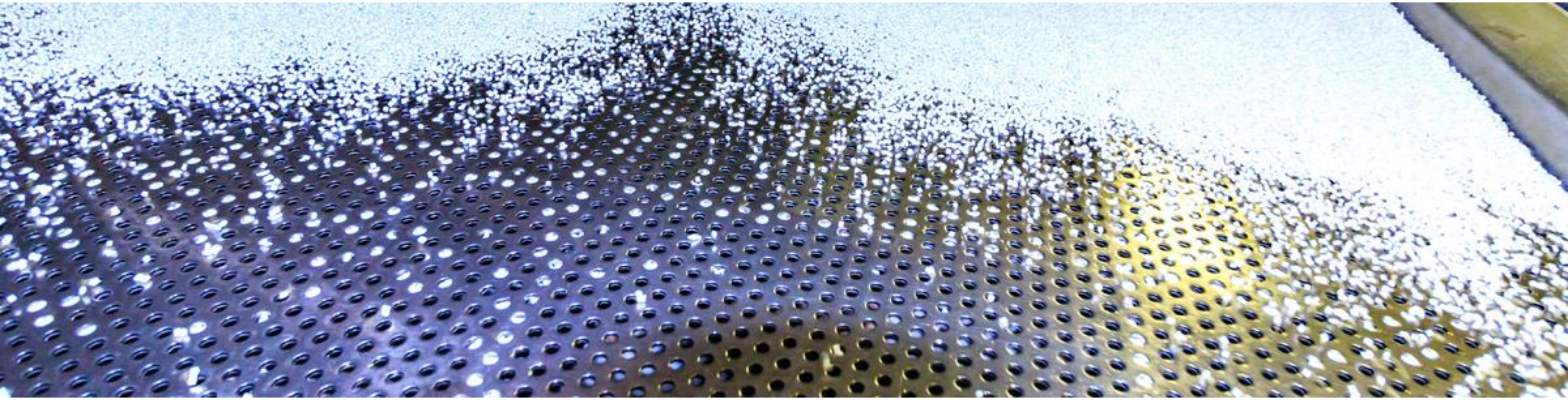
REVENUE

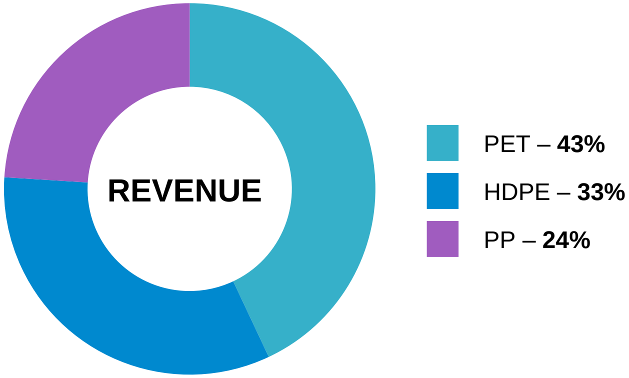
10% ↑

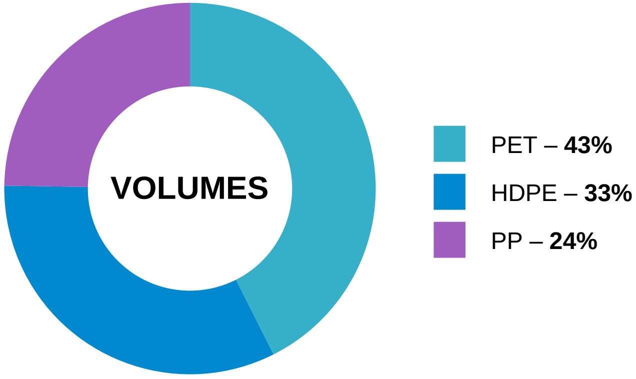
OPERATING PROFIT

7% ↑

POLYMERS







POLYMERS

- Margin drivers of polymer operations:
  - Import parity price of PET, HDPE and PP (driven by global supply/demand)
  - Indexed raw material prices: ethylene, propylene, PTA, MEG and PIA
  - Rand/US dollar exchange
  - Commodity and currency changes during 'procurement to sales cycle'
- Significant volatility in these drivers affected margin, specifically the shift from 1H19 to 2H19

	Margin variance 1H19 vs 1H18	Margin variance 2H19 vs 2H18	Margin variance 1H19 vs 2H19	Margin variance FY19 vs FY18
PET	25%	3%	(31%)	18%
HDPE	35%	(35%)	(32%)	(6%)
PP	10%	(12%)	(13%)	(1%)

PET – Polyethylene terephthalate | HDPE – High density polyethylene | PP – Polypropylene

POLYMERS

SAFRIPOL
preferred polymer partner

	PET		HDPE		PP	
	FY19	FY18	FY19	FY18	FY19	FY18
Revenue (Rm)	3 703	2 142	2 902	3 033	2 085	1 942
Sales volume (tonnes)	200 839	137 386	155 288	162 312	114 816	117 533
Production volumes (tonnes)	212 318	104 479	162 445	160 121	117 230	119 452
Average R/USD exchange	14.19	12.84	14.19	12.84	14.19	12.84

PET – Polyethylene terephthalate | HDPE – High density polyethylene | PP – Polypropylene

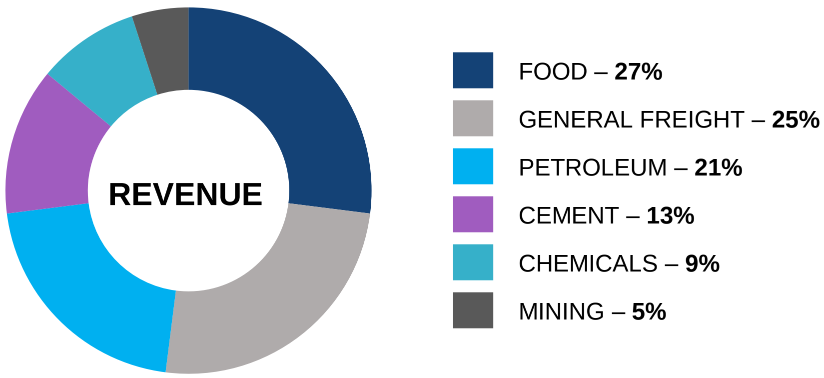
- Domestic demand for the product was subdued in line with general economic environment
- Good progress was made on displacing imported product
- Export markets were supplied to supplement local sales, however at lower margins
- Inventory increased as a result of subdued demand during seasonal low demand period
- Sasolburg operations continued to perform well
- Operational performance of Durban plant significantly improved
  - Average production of 93% of rated capacity
  - Yield improved to 96% during the second half (target 98%)
  - Tested to 108% of rated capacity and separately to 98% yield

REVENUE
22% ↑

OPERATING PROFIT
3% ↓

CONTRACTUAL LOGISTICS – SOUTH AFRICA

DIVERSE REVENUE BASE



- 45% of division sold effective 3 September 2018 in B-BBEE transaction and successfully implemented
- New executive management structure implemented effective 1 December 2018
- South African operations now independently managed from rest of Africa operations
- Full operational and support structures rationalised and fully accounted for at 30 June 2019
- Balance sheet review completed with no material impact

CONTRACTUAL LOGISTICS – SOUTH AFRICA

- Trading environment extremely challenging
- Revenue inflated by cost recoveries (fuel, wages, tyres, etc.)
- Volume and margin pressure in all areas, a reflection of subdued economic activity
- Petroleum, Mining and General Freight and Warehousing businesses remained stable
- Cement and Chemicals business negatively impacted by lower customer volumes
- Food business materially impacted by a contractual dispute on a major contract and subdued activity in the poultry sector
- R50 million impact of non-trading provision for onerous contract
- Annualised revenue of renewals – R913 million
- Annualised revenue of new contracts – R426 million
- Annualised revenue of contracts lost – R86 million

REVENUE

4% ↑

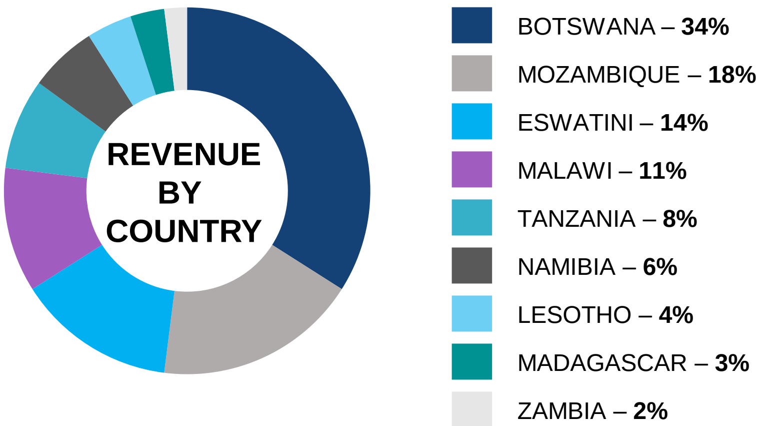
OPERATING PROFIT*

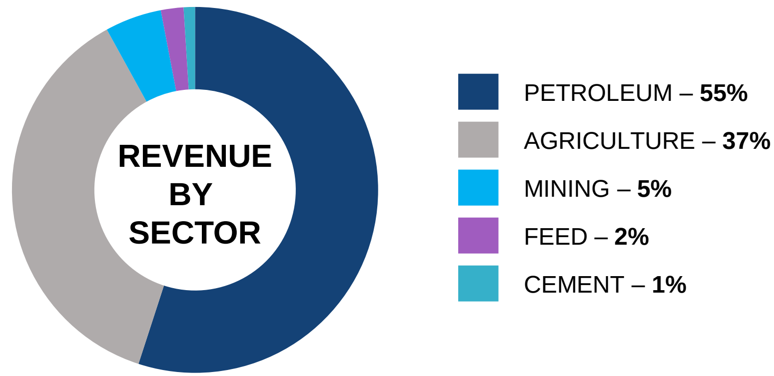
49% ↓

* Excluding B-BBEE cost

CONTRACTUAL LOGISTICS – AFRICA

DIVERSE REVENUE BASE





- Following the Unitrans B-BBEE transaction, African operations now independently managed
- New executive management structure implemented effective 1 December 2018
- Focus on strengthening in-country operational structure

CONTRACTUAL LOGISTICS – AFRICA

- Core business currently Petroleum and Agriculture
- Volumes and margins were stable for the year
- Cyclone Idai impacted negatively on Beira operations, however, successfully mitigated by management interventions and insurance
- No significant year-on-year seasonal impacts
- Cost escalations successfully recovered
- Margin pressure on contract renewals
- Focus on expanding operations in existing territories

REVENUE

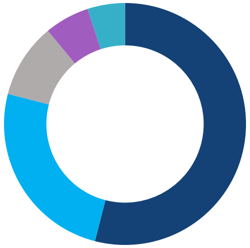
10% ↑

OPERATING PROFIT

6% ↑

PASSENGER TRANSPORT

- Commuter and Personnel operations impacted by lower passenger activity, including industrial action and escalating unemployment
- Lower industry passenger numbers and aggressive competition negatively impacted Intercity and Tourism operations
- Impact of fuel price increase on operating profit – R54 million
- Initiated negotiation to relieve fuel capping on commuter contracts
- Mozambique and Gautrain operations continue to perform well



- COMMUTER AND PERSONNEL – **54%**
- INTERCITY – **25%**
- GAUTRAIN – **10%**
- AFRICA – **6%**
- TOURISM – **5%**

REVENUE

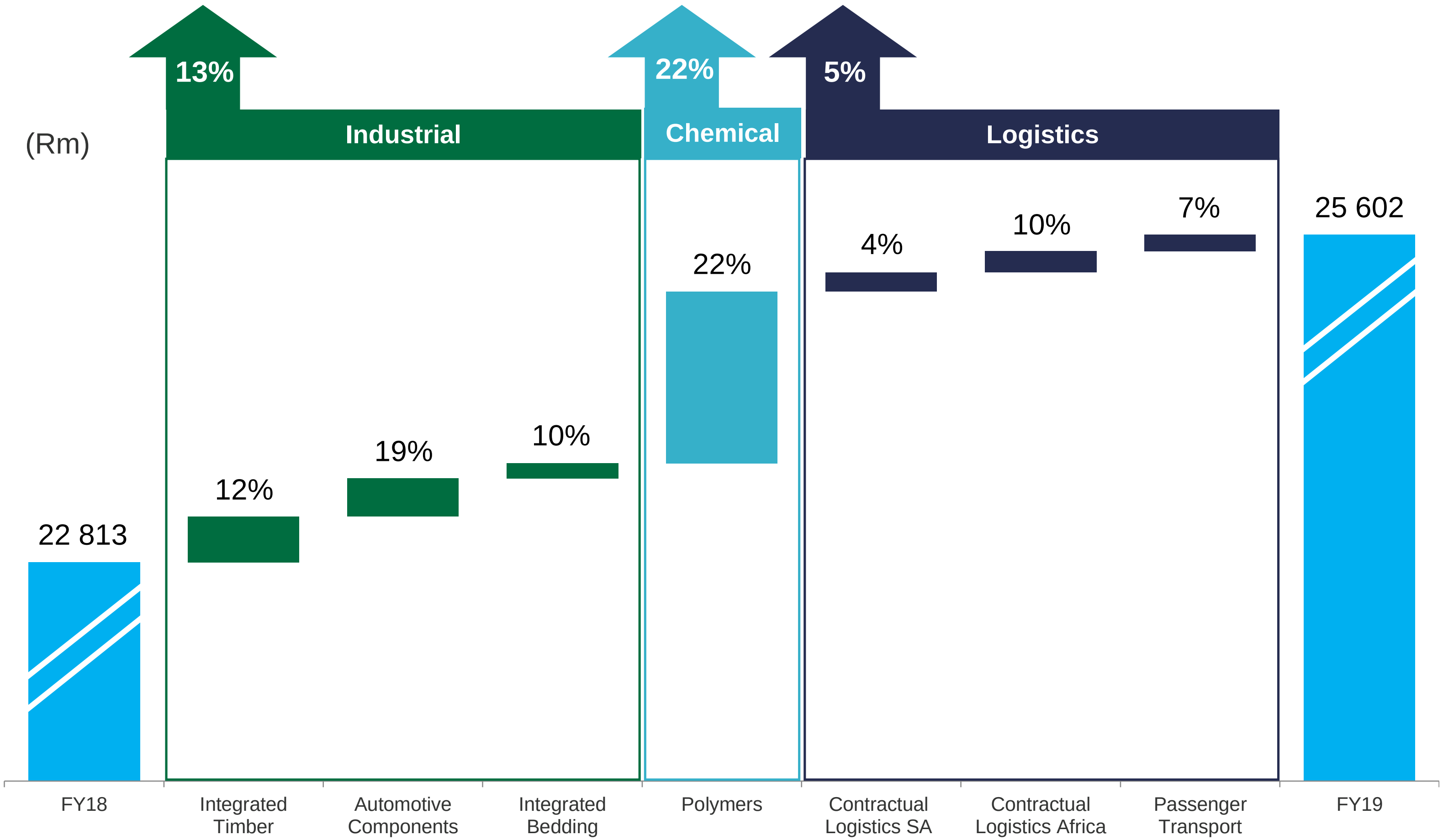
7% ↑

OPERATING PROFIT

17% ↓

DIVISIONAL OPERATIONAL REVIEW

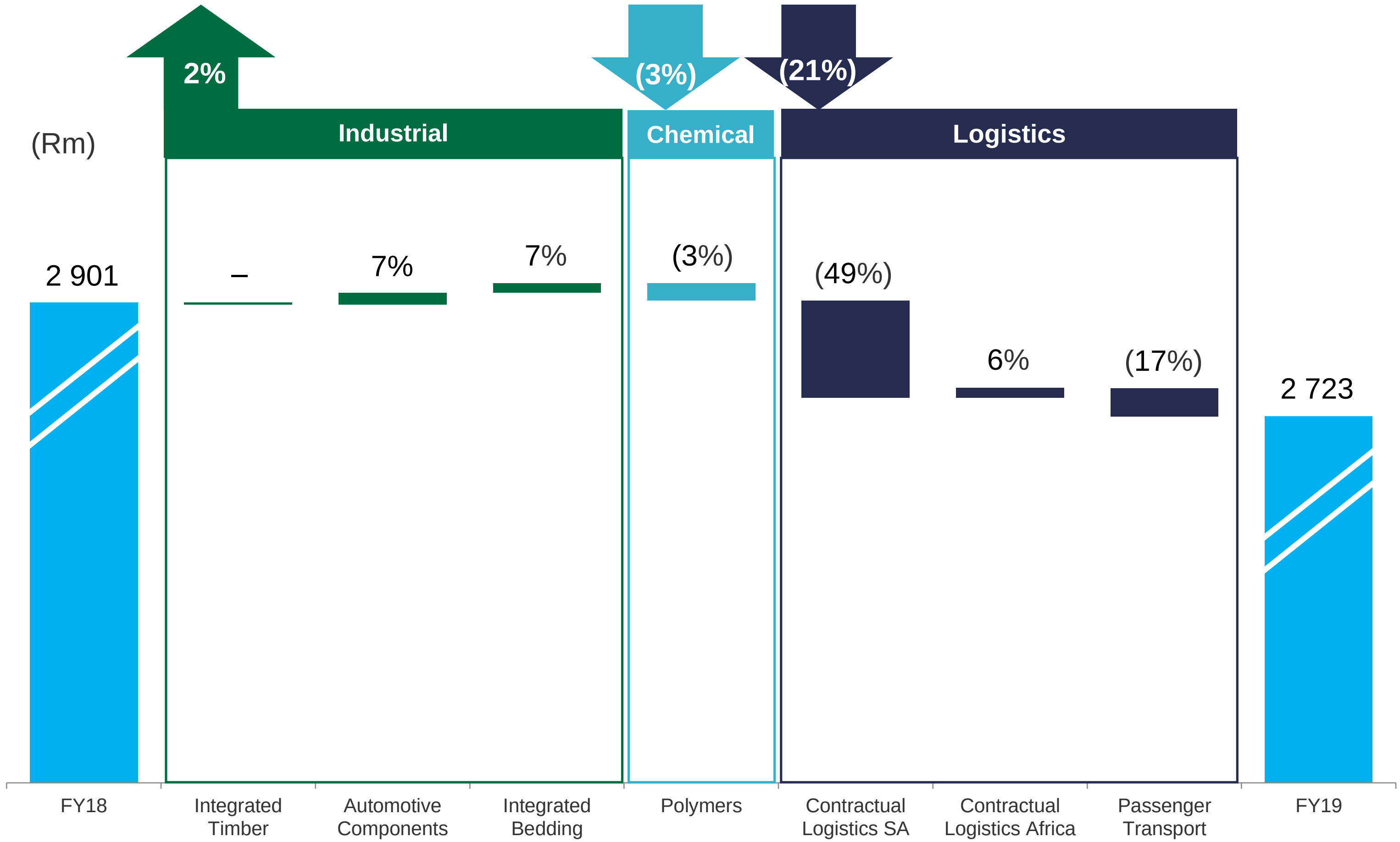
GROUP REVENUE ANALYSIS



From continuing operations, excluding the non-recurring, non-cash impact of the Unitrans B-BBEE transaction.
Comparative segmental information restated for the move of the group's resin business from chemical to industrial.

DIVISIONAL OPERATIONAL REVIEW

GROUP OPERATING PROFIT ANALYSIS



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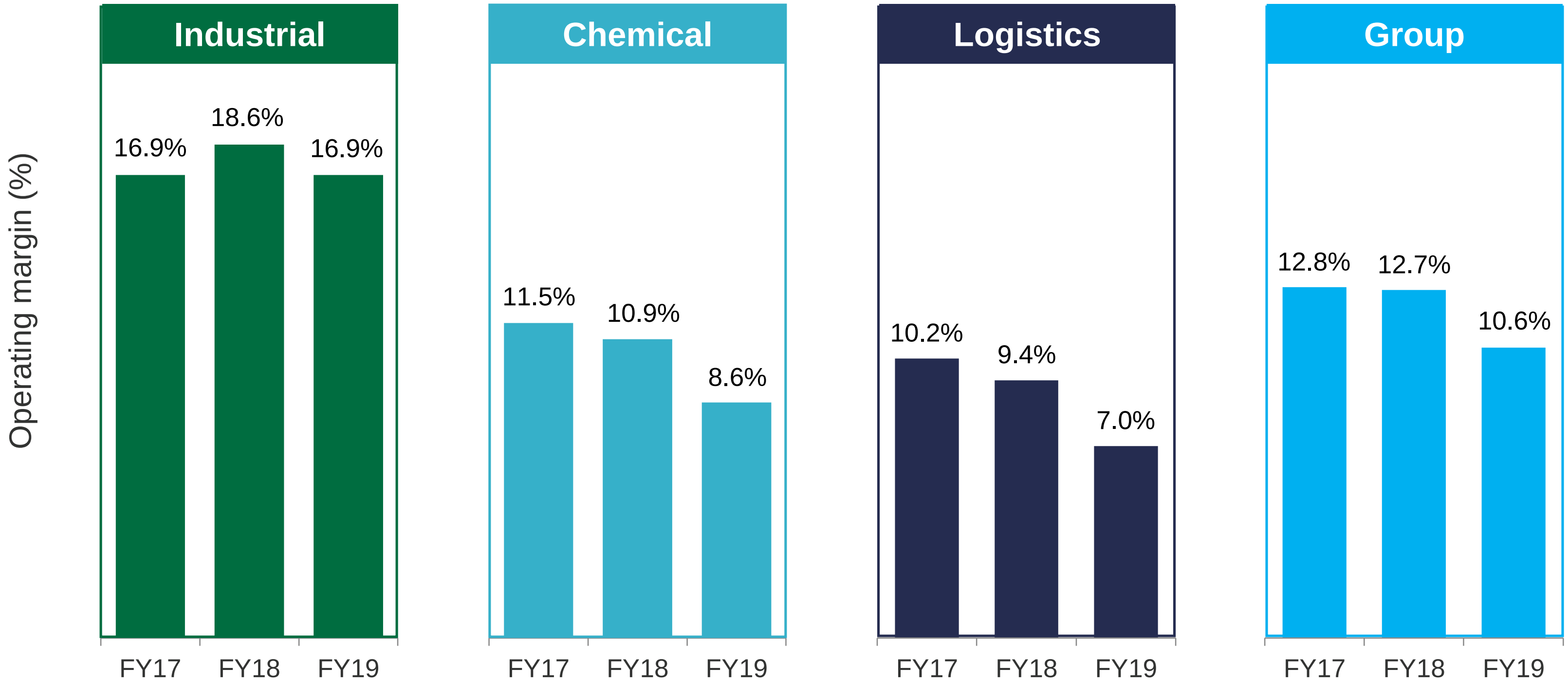
Comparative segmental information restated for the move of the group’s resin business from chemical to industrial.

DIVISIONAL OPERATIONAL REVIEW

GROUP MARGIN ANALYSIS

KAP operating profit margin reduced 210 bps to 10.6%

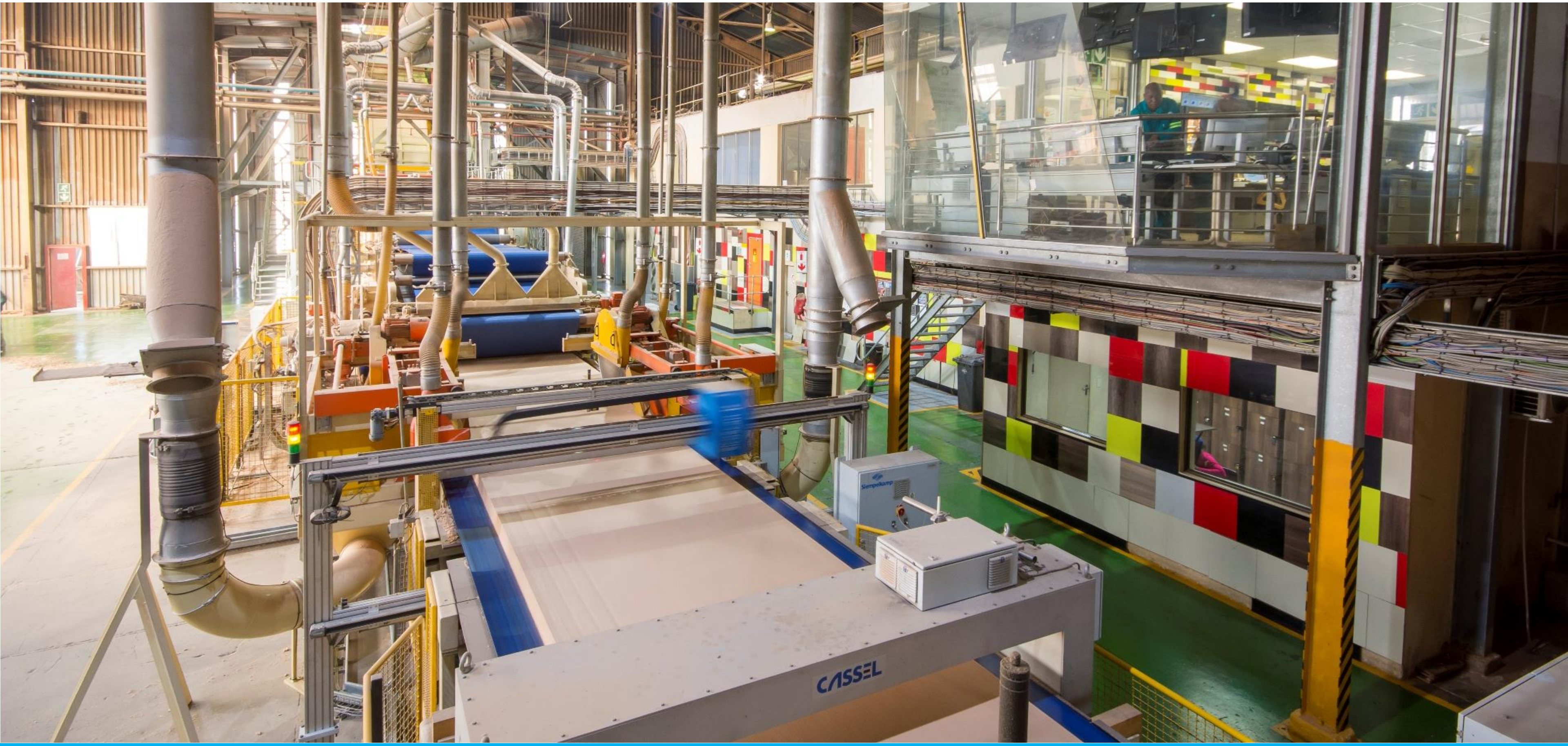


From continuing operations, excluding the non-recurring, non-cash impact of the Unitrans B-BBEE transaction.
Comparative segmental information restated for the move of the group's resin business from chemical to industrial.

FINANCIAL ANALYSIS

FRANS OLIVIER

CHIEF FINANCIAL OFFICER



INTEGRATED INTO EVERY DAY

FINANCIAL HIGHLIGHTS

STRATEGY IMPLEMENTATION PRODUCES STABLE EBITDA* WITH STRONG CASH CONVERSION

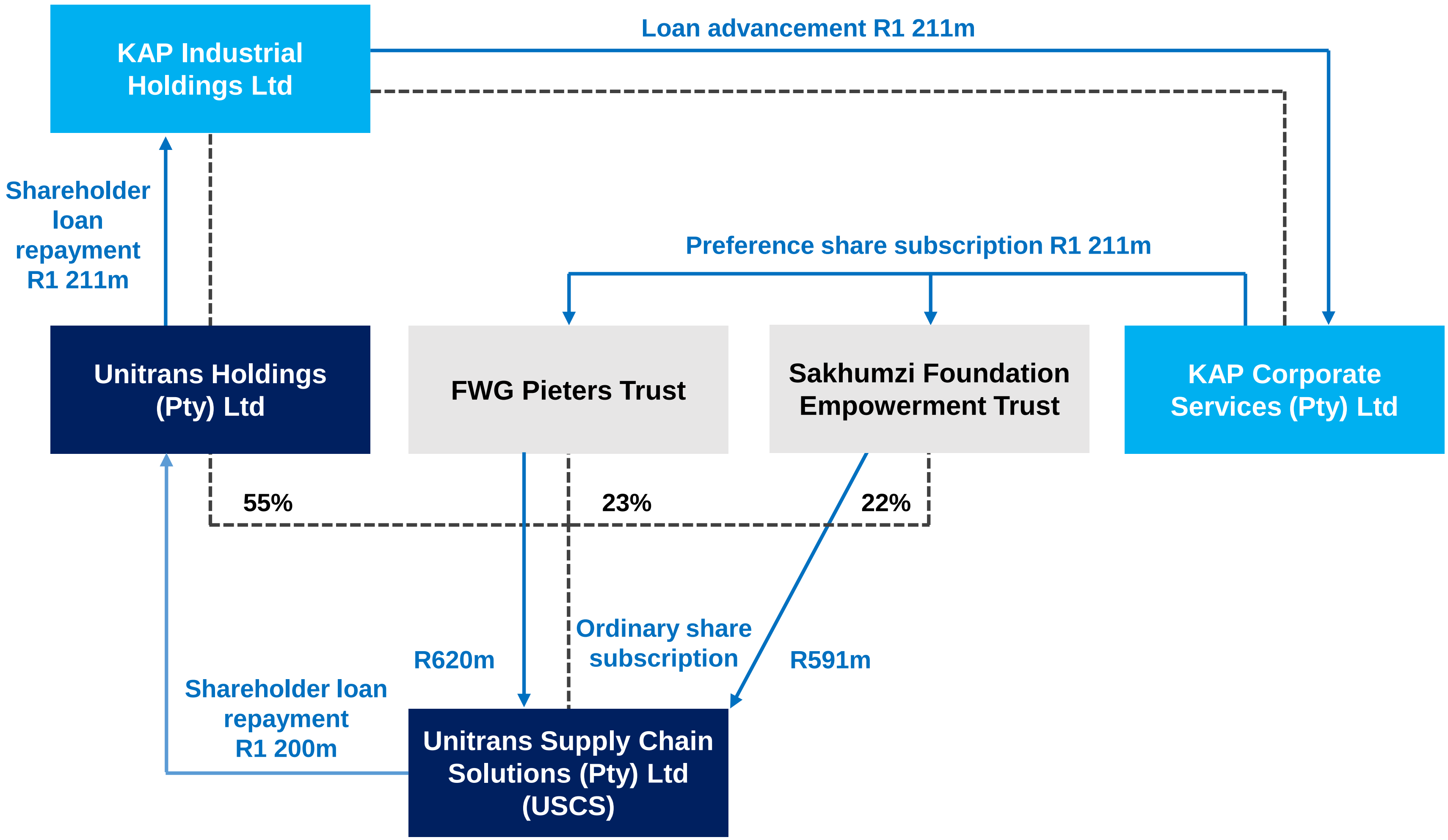
Results from continuing operations	FY19	FY18	Variance
Revenue (Rm)	**25 602**	22 813	↑ 12%
EBITDA before B-BBEE cost (Rm)	**3 909**	3 944	↓ 1%
Operating profit before B-BBEE cost and capital items (Rm)	**2 723**	2 901	↓ 6%
Core headline earnings per share (cents)*	**53.2**	61.6	↓ 14%
Cash generated from operations (Rm)	**4 033**	3 308	↑ 22%
Dividend per share (cents)	**23**	23	↔ Stable
Net asset value per share (cents)	**474**	454	↑ 4%

* Excluding the non-recurring, non-cash impact of the Unitrans B-BBEE transaction.

UNITRANS B-BBEE TRANSACTION OBJECTIVES

- Achieve > 51% ‘black’ and > 30% ‘black women’ ownership in South African logistics business
- Minimise dilution to shareholders
    - Equity interest sold at market value, taking into account peer multiples
    - Funding provided at market rates
- Ensure compliance with B-BBEE Commission requirements
- Ensure a sustainable scheme to create value for B-BBEE shareholders
- Ensure sustainable growth of South African logistics business

UNITRANS B-BBEE TRANSACTION STRUCTURE



FINANCIAL ANALYSIS

INCOME STATEMENT

From continuing operations	FY19 Rm	FY18 Rm	Variance
Revenue	**25 602**	22 813	12%
EBITDA before B-BBEE cost	**3 909**	3 944	(1%)
Depreciation and amortisation	**(1 186)**	(1 043)	14%
B-BBEE cost	**(196)**	–	
Capital items	**(144)**	(65)	
Operating profit	**2 383**	2 836	(16%)
Net finance costs	**(707)**	(697)	1%
Associate companies and joint ventures	**30**	23	
Taxation	**(533)**	(520)	3%
Minorities	**(57)**	(51)	
Earnings attributable to owners of the parent	**1 116**	1 591	(30%)

FINANCIAL ANALYSIS

INCOME STATEMENT (CONTINUED)

From continuing operations	FY19 Rm	FY18 Rm	Variance
Earnings attributable to owners of the parent	**1 116**	1 591	(30%)
Add back capital items net of taxation	**121**	55	
Headline earnings	**1 237**	1 646	(25%)
Add back B-BBEE cost	**196**	–	–
Core headline earnings	**1 433**	1 646	(13%)
Weighted average number of ordinary shares (m)	**2 696**	2 671	1%
Headline earnings per share (cents)	**45.9**	61.6	(25%)
Core headline earnings per share (cents)	**53.2**	61.6	(14%)

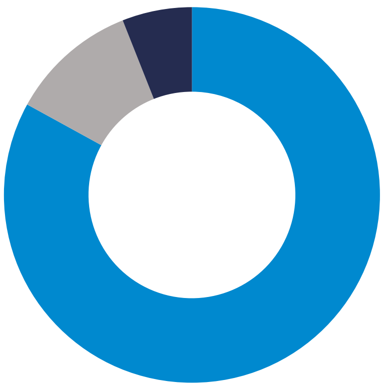
TAX RATE RECONCILIATION

From continuing operations	FY19 %	FY18 %
Statutory tax rate	**28.0**	28.0
B-BBEE cost	**3.2**	–
Government incentives	**(0.1)**	(4.3)
Other	**0.1**	0.3
Effective tax rate	**31.2**	24.0

FINANCIAL ANALYSIS

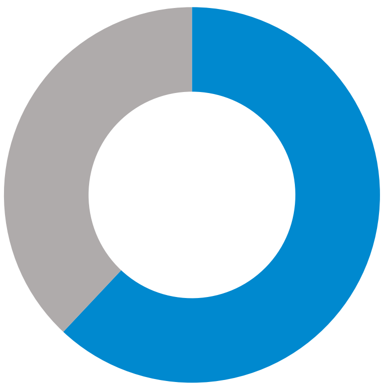
REVENUE ANALYSIS

Geographic analysis*



SOUTH AFRICA – **83%**
REST OF AFRICA – **11%**
OTHER – **6%**

Currency analysis*



RAND-driven activities – **62%**
US DOLLAR-driven activities – **38%**

- Provides diversity in markets and broader growth opportunities
- Dollar-driven activities impact revenue and raw material prices, therefore representing ‘dollar margin’ business

* From continuing operations.

FINANCIAL ANALYSIS

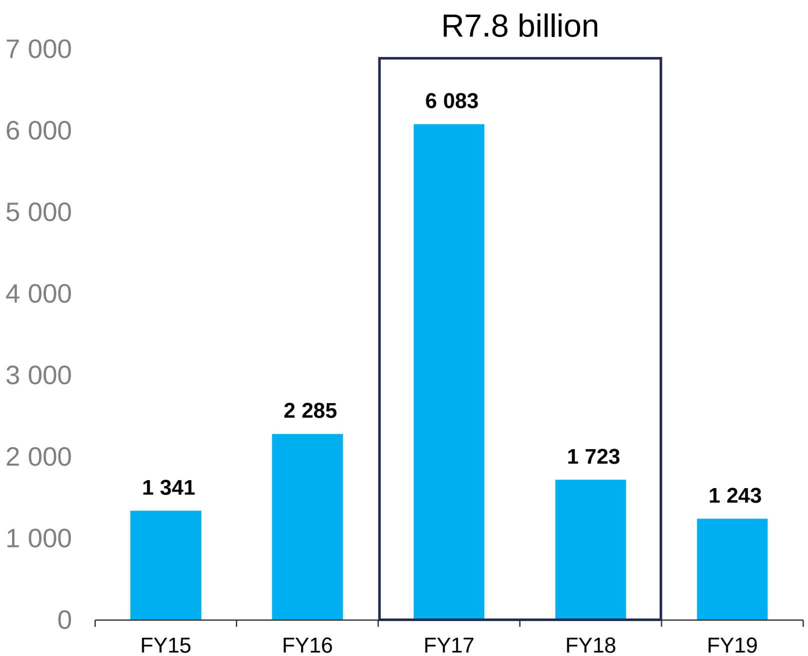
BALANCE SHEET

Balance sheet strengthened with quality assets and improved gearing

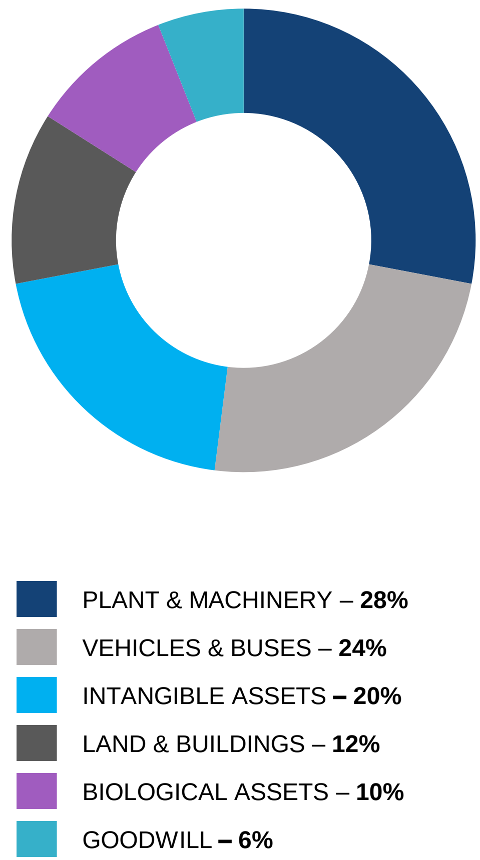
	FY19 Rm	FY18 Rm
Property, plant, equipment and investment property	**12 536**	12 513
Intangible assets	**3 996**	4 109
Goodwill	**1 246**	1 283
Biological assets	**1 900**	1 919
Net working capital	**1 132**	1 330
Other assets	**253**	331
Assets	**21 063**	21 485
Total equity	**13 042**	12 477
Net interest-bearing liabilities	**4 488**	5 727
Other liabilities	**3 533**	3 281
Equity and liabilities	**21 063**	21 485
Net asset value per share (cents)	**474**	454

STRONG ASSET BASE OF NEW TECHNOLOGY ASSETS

Capex and acquisition investments (Rm)

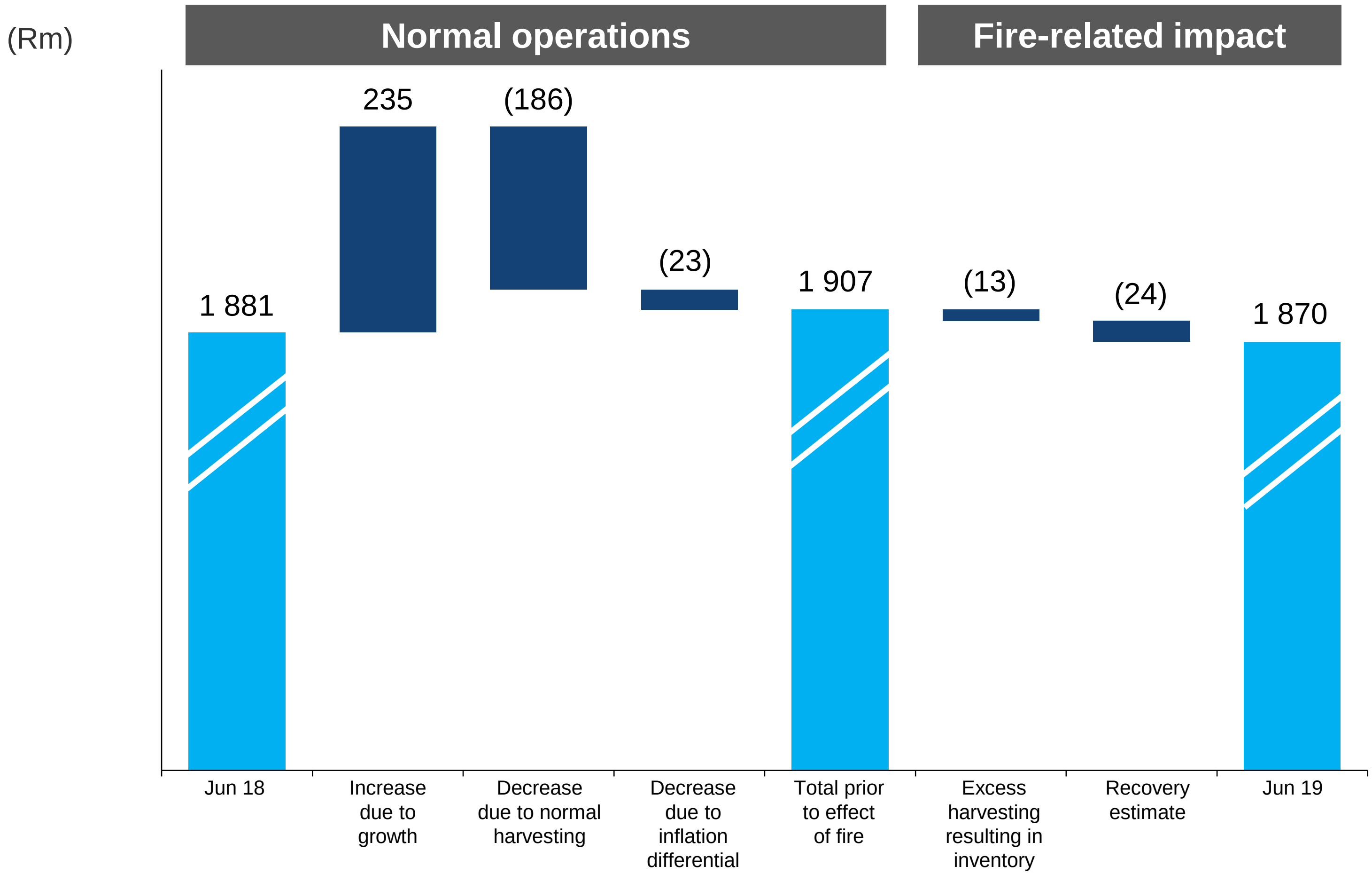


Asset base at 30 June 2019



FINANCIAL ANALYSIS

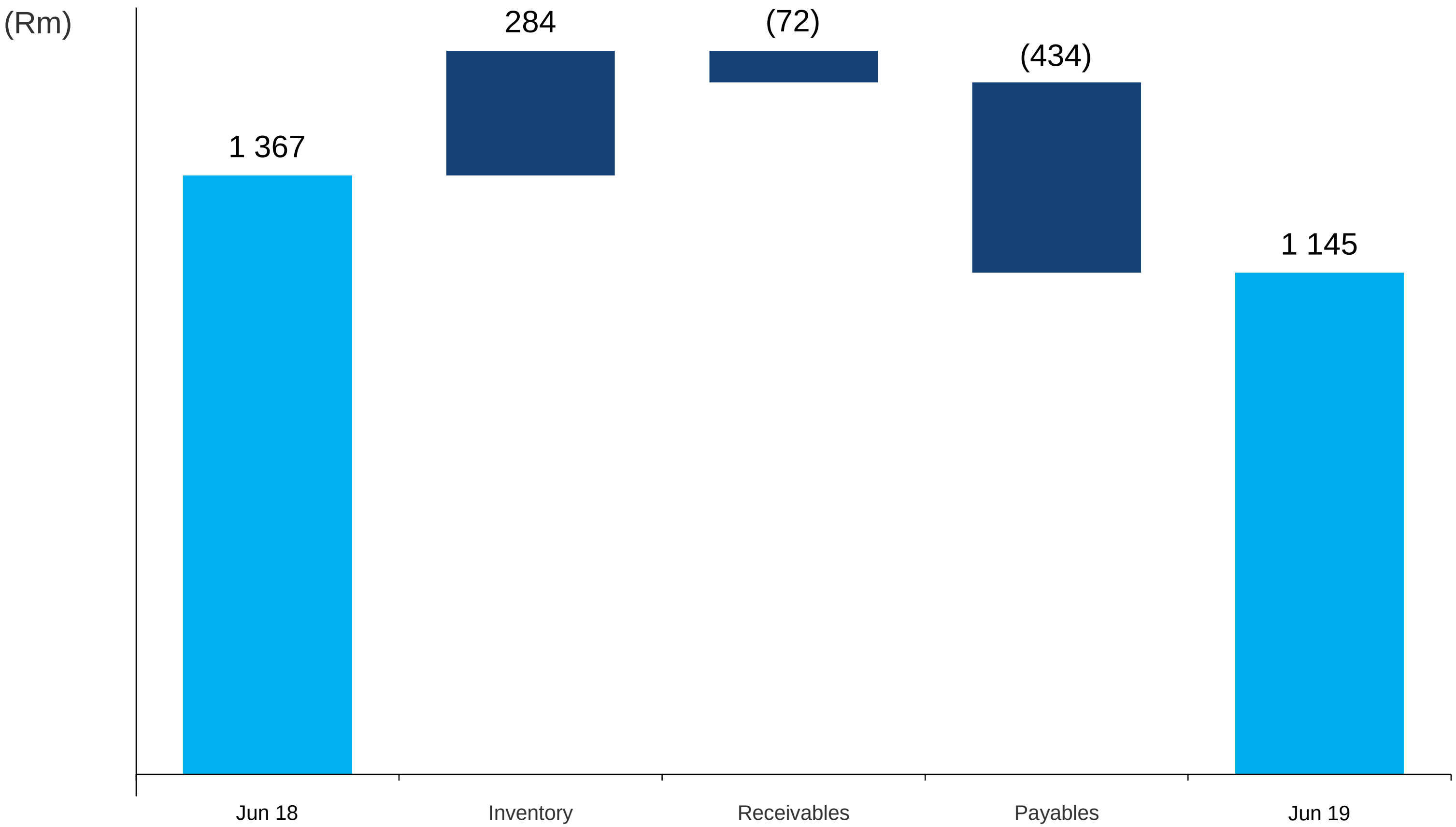
PLANTATION REVALUATION



- Harvesting completed for June 2017 fire
- Fire damages 845 ha in November 2018

FINANCIAL ANALYSIS

WORKING CAPITAL BREAKDOWN



- Inventory inflated mainly due to softer polymer demand

FINANCIAL ANALYSIS

CASH FLOW

	FY19 Rm	FY18 Rm
EBITDA before B-BBEE cost	**3 909**	3 944
Net revaluation of biological assets	**20**	64
Discontinued operations	**(78)**	(57)
Other non-cash adjustments	**24**	38
Cash generated before working capital changes	**3 875**	3 989
Working capital changes	**158**	(681)
Inventory	**(315)**	(389)
Receivables	**37**	(343)
Payables	**436**	51
Cash generated from operations	**4 033**	3 308
Net finance charges	**(717)**	(764)
Taxation	**(209)**	(237)
Dividends received	**18**	10
Cash flow from operating activities	**3 125**	2 317
Cash conversion ratio*	**153%**	116%

* Excluding the non-recurring, non-cash impact of the Unitrans B-BBEE transaction.

KAP

CASH FLOW (CONTINUED)

	FY19 Rm	FY18 Rm
Cash flow from operating activities	**3 125**	2 317
Investing activities	**(1 142)**	(1 723)
Expansion capex	**(420)**	(811)
Replacement capex	**(811)**	(837)
Disposal/(acquisition) of investments	**101**	(29)
Other investing activities	**(12)**	(46)
Free cash flow before dividends	**1 983**	594
Dividends paid	**(656)**	(630)
Financing activities	**(1 692)**	178
Movement in cash and cash equivalents	**(365)**	142

TREASURY ACTIVITY

DEBT FUNDING ACTIVITIES

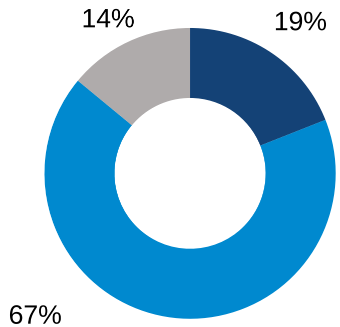
- Corporate bonds settled at maturity:
  - KAP003 – Listed: R250 million
  - KAP002 – Listed: R428 million
- Corporate bonds settled prior to maturity:
  - KAP04U – Unlisted: R1 billion
- Term loans settled prior to maturity:
  - Syndicated term loan: R800 million
- Corporate bonds issued during the year with a three-year tenure:
  - KAP013 – Listed: R700 million

TREASURY ACTIVITY

DEBT SERVICEABILITY RATIOS REFLECTIVE OF STRONG CASH GENERATION

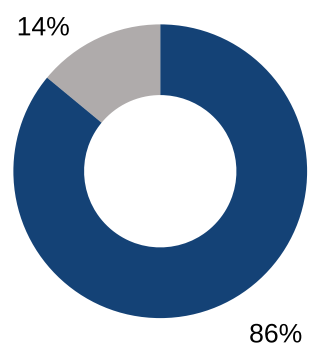
	30 Jun 19	30 Jun 18
Gross interest-bearing debt (Rm)	**6 273**	7 878
Net interest-bearing debt (Rm)	**4 488**	5 727
Equity excluding non-controlling interest (Rm)	**12 852**	12 155
Gearing: net debt:equity	**35%**	47%
Net debt to EBITDA (times) < 3.2*	**1.2**	1.5
EBITDA interest cover (times) > 4.5*	**5.3**	5.7

* From continuing operations; prior period disclosure has been restated to reflect the Autovest discontinued operation.



FUNDING STRUCTURE

- Banks and financial institutions
- Listed notes
- Unutilised facilities



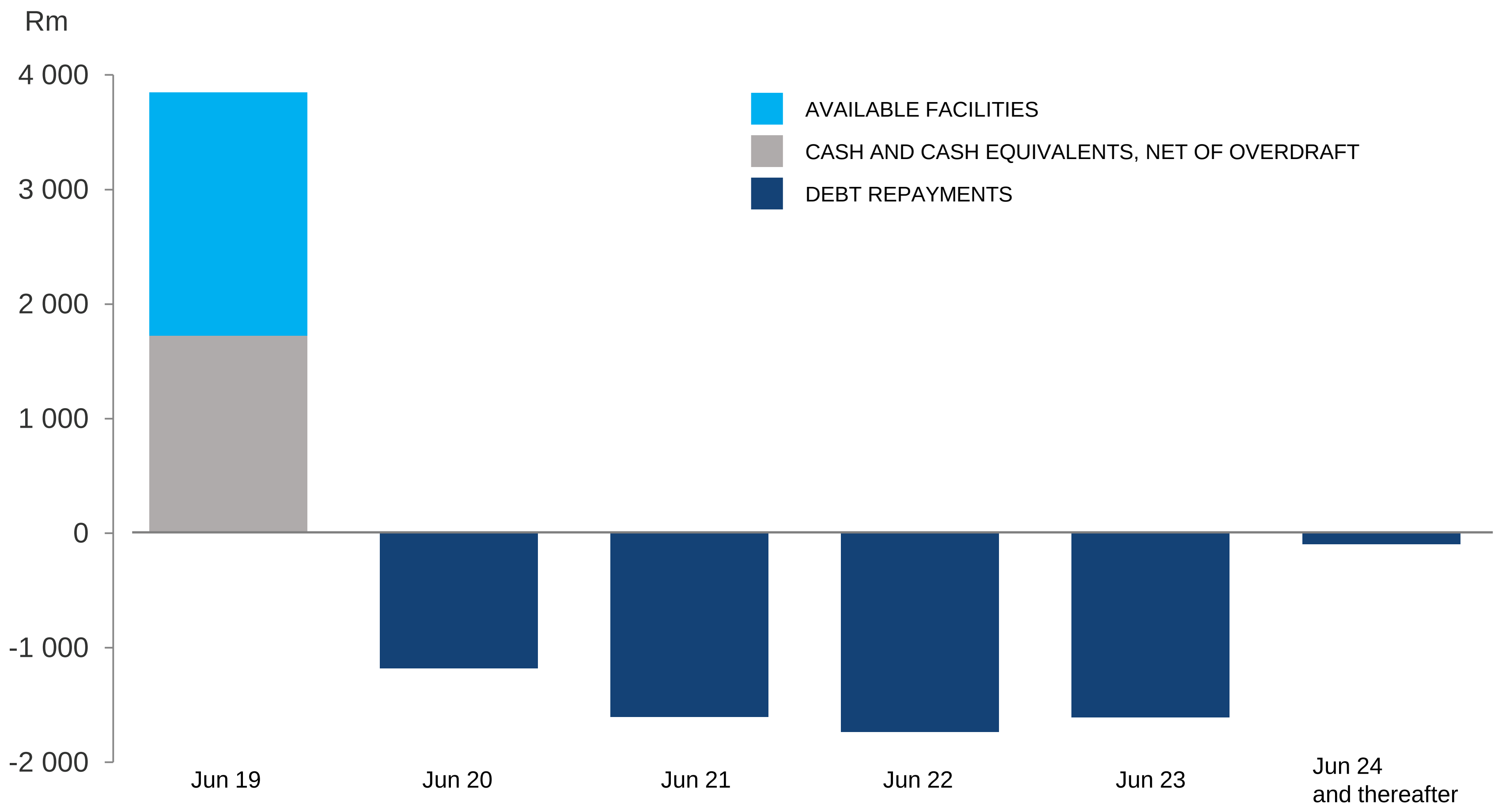
FIXED VS FLOATING INTEREST RATE FUNDING

- Floating interest rate funding
- Fixed interest rate funding

TREASURY ACTIVITY

KAP

NET INTEREST-BEARING DEBT MATURITY AS AT 30 JUNE 2019



OUTLOOK

GARY CHAPLIN

CHIEF EXECUTIVE OFFICER

INTEGRATED INTO EVERY DAY

DIVERSIFIED INDUSTRIAL

Integrated Timber

- PG Bison well placed in terms of market position and manufacturing capacity/efficiency
- Approximately R200 million expansion projects for F2020 implementation, with related plant shutdowns
- Recovery operations and plant reinvestments to be completed in F2020 following recent forest fires in southern Cape

Automotive Components

- Approval of replacement APDP programme to create stability and support medium-term growth
- Three-year OEM and component manufacturer wage negotiations in progress with uncertain outcome
- Potential F2020 disruption from major replacement model introduction

Integrated Bedding

- Business model modified to support greater retail promotional activity
- Volume demand remains buoyant, however on lower margin products
- Strategy of brand development, market share growth and process integration to be continued

DIVERSIFIED CHEMICAL

- Global polymer demand remains stable
- Polymer and monomer prices remain volatile as a result of recent US capacity expansions
- IHS short-term forecasts appear inconsistent and rand/US dollar exchange remains volatile
- Focus areas for management:
  - Selling full production volume to best advantage with lower exports
  - Shortening the ‘procurement to sales cycle’ and minimising inventory in the supply chain
  - Single polymers product offering and logistics solution
  - Moving product mix toward higher value products
  - Successful execution of R50 million final debottlenecking of PET facility
- Consumer sentiment towards ‘single-use plastics’ to be addressed through coordinated industry initiatives
- Anti-dumping duties of 22.9% on PET originating from China gazetted, effective 2 August 2019 and expected to support increased local sales volumes

DIVERSIFIED LOGISTICS

Contractual Logistics – South Africa

- Economic environment expected to remain challenging
- New management structures operating well with significant operational improvements implemented
- Management focus on improved asset utilisation, operational execution and cost reduction
- Resolution of dispute on major contract is a priority

Contractual Logistics – Africa

- Good operational execution expected to continue
- Focus on key contract renewals and growth opportunities

Passenger Transport

- Renegotiation of commuter contracts to remove fuel capping formula is a priority
- Discontinuation of Intercity operations
- Good operational execution expected to continue

Q&A

GARY CHAPLIN / FRANS OLIVIER

CHIEF EXECUTIVE OFFICER / CHIEF FINANCIAL OFFICER

THANK YOU

INTEGRATED INTO EVERY DAY